

Accounting for Building Funds

Building funds are used to account for the receipt and disbursement of proceeds from the sale of bonds authorized by election and issued by an LEA under the provisions of *Education Code* Section 15100. The major expenditures in an LEA's Building Fund are related to the purchase and improvement of sites, the construction and modification of buildings, and the purchase of equipment.

The accounting entries described in procedures 208 and 209 for appropriations, expenditures, and encumbrances are found in the building fund. However, there are some accounting features in the building funds that are not found in other funds.

A series of typical transactions and entries in summary form are provided below to illustrate the accounting for a building fund.

1. An issue of bonds totaling \$5,000,000 is authorized by the voters for the purchase of sites and the construction of buildings.

Serial Bonds Authorized-Unissued	\$5,000,000	
Reserve for Unissued Bonds		\$5,000,000

2. The full issue is sold to the Bank of America.

Cash in County Treasury	\$5,000,000	
Proceeds from Sale of Bonds		\$5,000,000
Reserve for Unissued Bonds	\$5,000,000	
Serial Bonds Authorized-Unissued		\$5,000,000
Estimated Revenue	\$5,000,000	
Appropriations		\$5,000,000

Note: Because contracts cannot be let until funds are available, appropriation authority is withheld until the bonds are sold. *Once the bonds are issued, the long-term debt will be recorded in the General Long-Term Debt Account Group as long as the bonds are outstanding.*

3. Construction contracts and agreements to purchase sites are made in the amount of \$4,900,000.

Encumbrances	\$4,900,000	
 Reserve for Encumbrances		\$4,900,000

4. Other costs not encumbered are paid in the amount of \$20,000.

Expenditures	\$20,000	
 Cash		\$20,000

5. Amounts for construction contracts and agreements to purchase sites, previously encumbered, are paid in the amount of \$4,910,000.

Reserve for Encumbrances	\$4,900,000	
 Encumbrances		\$4,900,000
Expenditures	\$4,910,000	
 Cash		\$4,910,000

6. An entry is made to close Estimated Revenue and Appropriations.

Appropriations	\$5,000,000	
 Estimated Revenue		\$5,000,000

7. An entry is made to close Expenditures and Revenue.

Revenue	\$5,000,000	
 Expenditures		\$4,930,000
 Unreserved Fund Balance		70,000

At the close of the project, there may be a remaining cash balance that represents the excess amount of bonds over the project's actual costs. The LEA should refer to the bond authorization for guidance in the disposition of the remaining funds. Also, general fixed assets acquired as a result of expenditures of funds for capital projects must be reported as part of the general fixed asset account group.